

***Full Cost Decision Memorandum: Service usage change liabilities (SA-03)***

***Issue:***

What is the policy for service usage change liabilities?

***Source / reference:***

LaRC Full Cost Implementation Team (2003-2004)  
LaRC Office of the Chief Financial Officer (OCFO)

***Background:***

Currently there is not an incentive for projects to specify service activity requirements early in the year prior to execution because of the lack of clear termination policy and excess capacity charges. The incentive to not specify requirements leads to inefficient planning of center resources.

***Options:***

1. Service rate that is totally refundable
2. Service rate that is not refundable
3. An airline-style pricing structure: lowest rate/not refundable, reduced rates with some penalties, highest rates for minimal penalties or for late requirements

***Decision:***

Modified approach. The Center is seeking mechanisms to allow more flexible service operations. However, additional information is required to ensure charging policies and pricing structures support operational efficiency. In the meantime, the Center policy is to allow for usage adjustments throughout the year. In that regard, any usage changes should be communicated to Center organizations and service providers to be incorporated into the rebilling process. Service providers and organizations should revise costs/rates and service usage consistent with established and revised agreements. However, if no replacement customers are found for service operations that are no longer required by a project, the original project must continue to pay for the subscribed activities for current year.

***Approved by LaRC CFO (Ken Winter) 3/29/04***

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